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SUBJECT: KASHMIR TRADE OPENS BETWEEN PAKISTAN AND INDIA FOR
FIRST TIME IN 60 YEARS

REF: A) NEW DELHI 2739 B) ISLAMABAD 3169

Classified By: Ambassador Anne Patterson for reasons 1.5 (b,d)

11. (C) Summary: Official trade between Pakistan and India across the Line of Control (LoC) separating Kashmir commenced on October 21 for the first time in over sixty years. The exchange of trucks carrying goods, mostly produce, was limited in scale but not in significance. It heralds what may be a bilateral softening from both capitals more willing than in many previous years to seek lower tensions between the two countries. The limited exchange was welcomed by crowds on both sides of the LoC. It transpired a week after Pakistan's National Security Advisor Mahmud Ali Durrani traveled to New Delhi to meet with his Indian counterpart as well as with the Indian Prime Minister Manmohan Singh. Those meetings were cordial, despite Durrani's public disavowal of any Pakistan Government, ISI or other, role in the bombing of India's embassy in Kabul. Academics and retired military officers in Islamabad who follow Pakistan/India relations assert that both capitals are open to finding confidence building measures now. They urge that such momentum should not be squandered. For his part, President Asif Ali Zardari has advocated trade with Pakistan's neighbors as both a salve to military and diplomatic tensions, and a necessary improvement for Pakistan's economy. End Summary.

Historic Opening for Kashmir Trade

12. (U) Cross-LoC trade was formally launched on the Poonch-Rawalakot route on October 21. An Indian convoy of 13 trucks, carrying mostly apples, set off on an historic trip to the Pakistani side of Kashmir. As many as 14 trucks carrying maize, rice, spices, and dried fruit entered the Indian side, while another 3 trucks with similar products followed on October 22. Each truck weighed 1.5 tons. The Chief Secretary's Azad Jammu Kashmir (AJK) office told Econoff that as of now trade is only between the two Chambers of Commerce and only includes agricultural products. Trade will only be conducted on the Tuesday and Thursday of every week but the office is hopeful that the trade will increase with time. The volume of trade will not be great, at least at the onset. What is more important than the volume, or even the profitability, however, is the fact of the exchange. The passage of trucks and produce marks the first official exchange in sixty years. A limited amount of informal trade took place between partition and 1965, but that detail has been left out of local media reporting on the historic

breakthrough of the current agreement to allow for official trade.

Significant Confidence Building Measure

¶3. (C) Sardar Atiq Ahmed Khan, Prime Minister of Pakistan Occupied Kashmir, has been pushing for an opening in Kashmir via commercial activity for the last two years. There were no indications the breakthrough was imminent, however, prior to the warming of relations between Pakistan and Indian governments begun this fall and more specifically to the visit of Interior Minister Durrani to New Delhi in mid-October. Another Confidence Building Measure long talked about by Sardar Atiq Ahmed Khan is the identification and creation of some seventy points along the LoC where family members long divided by the LoC could be reunified, if only on a temporary basis.

Durrani's Visit to India as Precursor

¶4. (U) The breakthrough on trade to Kashmir took place just a week after Pakistan's National Security Advisor Mahmud Ali Durrani's visit to New Delhi October 14 (ref a and b). Durrani met with Indian Prime Minister Manmohan Singh and External Affairs Minister Pranab Mukherjee and denied, in public, any involvement by Pakistan in the bombing of the Indian Embassy in Kabul. Durrani told Indian officials categorically that there was no Inter-Service Intelligence (ISI) involvement in the bombing. Deflecting questions on

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the bombing, he characterized his meeting with Mukherjee as "very good," and said "things are going ok."

¶5. (C) Durrani was assured by Indian officials that India would abide by the provisions of the Indus Water Treaty. Durrani conveyed Pakistan's concerns about the reduced flow in the Chenab River in his October 13 meeting with Indian National Security Advisor MK Narayanan. Durrani told Narayanan that Pakistan would uphold the cease-fire at the LoC in Kashmir and is said to have proposed that mechanisms be created to improve communications and reduce problems of miscommunication regarding Kashmir. Durrani and Narayanan issued a joint press statement calling their meeting "most productive" and held in a "cordial atmosphere" against the backdrop of an earlier summit meeting between leaders of the two countries. A return invitation to Narayanan to visit Islamabad was issued.

¶6. (U) Durrani is also reported to have met with Bharatiya Janata Party President Rajnath Singh to discuss the "ongoing peace process" between India and Pakistan.

¶7. (C) Comment: The breakthrough on Kashmir was unexpected.

But academics and retired military officials with whom we have been speaking about Pakistan's relations with India have been encouraging about the current constellation of parties and leaders in power in both countries. They have suggested that Sir Creek is at the brink of resolution and that leaders in both countries are willing and able to make accommodations to their neighbors in a way they have not before. One academic examining military matters has suggested that India be asked to move its troops back (some 30 miles) from the Pakistan border, as this would enable Pakistan to deploy its troops elsewhere, not least in the FATA. He argues such a move would not constrain India's ability to defend itself from Pakistan and would be a considerable CBM. He is less able, however, to delineate what Pakistan might do in return.

The same optimism of these long-term watchers of Pakistan/India relations propels them to urge both governments, and the USG in its dealings with them, to seek agreement on the achievable now, before momentum slows or is derailed by the unexpected.

PATTERSON